

**CITY OF RIO RANCHO
DEPARTMENT OF FINANCIAL SERVICES**

MEMORANDUM

DATE: August 22, 2014

TO: Mayor Gregory Hull
Council Members: Chuck Wilkins, Dawnn Robinson, Cheryl Everett, Mark Scott,
Shelby Smith, and Lonnie Clayton
Keith Riesberg, City Manager and Laura Fitzpatrick, Assistant City Manager

FROM: Dan Olsen, Financial Services Director

SUBJECT: **August 2014 Gross Receipts Tax**

The General Fund GRT distribution for August was \$2,174,433. Although this amount is 13 percent below the budgeted monthly estimate, it was 7.1 percent above the August 2013 distribution, and year-to-date collections are 2.8 percent higher than last year. Still, with two months of significantly below-budget GRT revenue, the Finance Department will review our forecasting models to provide a better picture of our budget situation next month.

Following are highlights from the August GRT data:

- According to the State Tax and Revenue Department, the August data included adjustments for several large retailers who were late in filing GRT tax returns in prior months. While the Retail sector was 6.1 percent higher than last month, year-to-date distributions for this sector remain 12 percent lower than last year, a significant contributor to the city's lower-than-expected revenue.
- Distributions from industries in the Services sector fell 3.8 percent over the same period last year, led by declines in various administration, education, and health care services.
- The Construction sector proved a bright spot in the data, with year-to-date collections increasing 13.5 percent over the same period last year.
- Although a small portion of overall GRT, the Manufacturing and Finance/Insurance and Real Estate sectors' year-to-date distributions were up nearly 51 percent and 33 percent, respectively, compared to the same period last year.

One factor driving the GRT numbers is the local area's static employment situation. The unemployment rate for the Albuquerque MSA was 6.8 percent in July, unchanged from June. Total employment in the area contracted 0.1 percent over last July, losing 200 jobs. In the aggregate, the private sector had no change in employment levels, while the public sector lost jobs in both the local and federal governments.

New Mexico's statewide unemployment rate for July inched up from 6.5 percent in June to 6.6 percent in July, and job growth was 0.5 percent for the same period. In comparison, neighboring states have had job growth rates between 2 and 3.5 percent for several months. To the extent that New Mexico, and more importantly our local region can add jobs, the city's GRT revenue will return to more robust rates of growth.

Rio Rancho Gross Receipts Tax Dashboard

Chart 1: FY15 Gross Receipts Tax Monthly Revenue General Fund Estimate vs. Actual

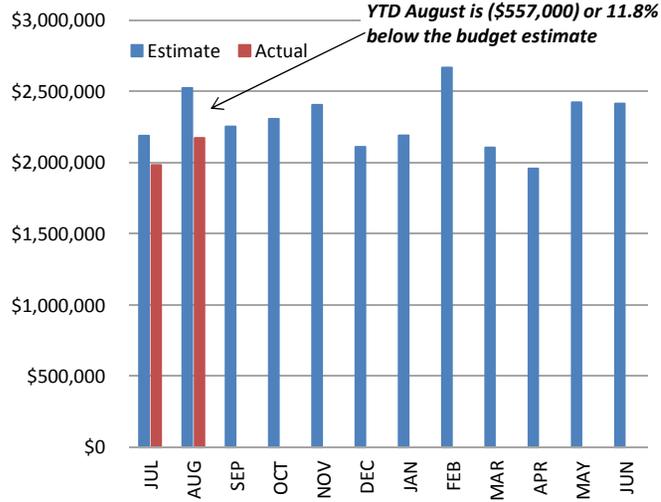


Chart 2: Monthly Gross Receipts Tax Revenue General Fund Current vs. Prior Years

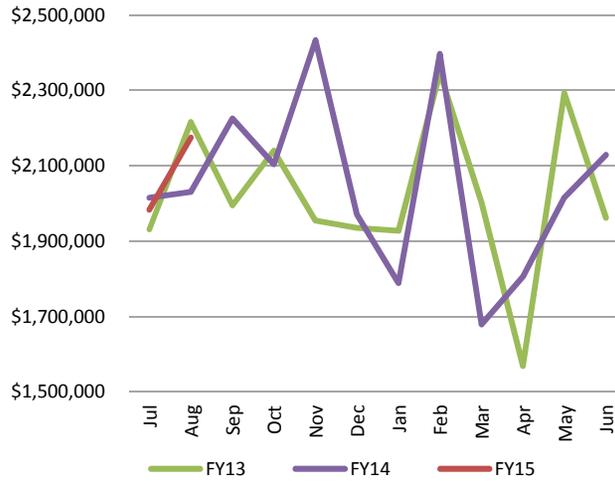


Chart 3: YTD Gross Receipts Tax Revenue General Fund Current vs. Prior Years, as of August

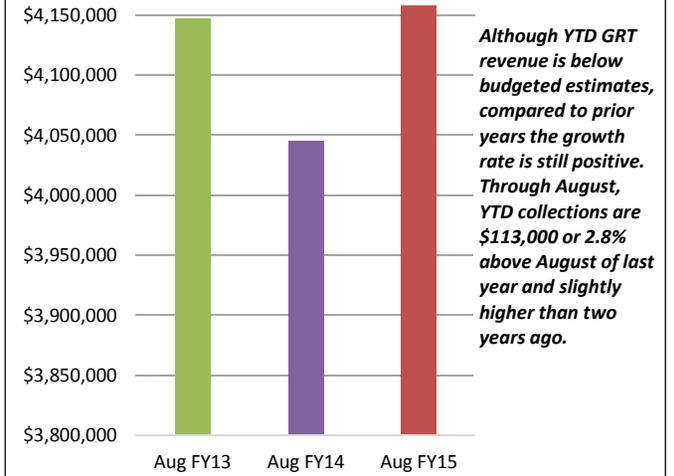


Chart 4: FY15 YTD GRT Distribution by Industry Compared to FY14 YTD through August

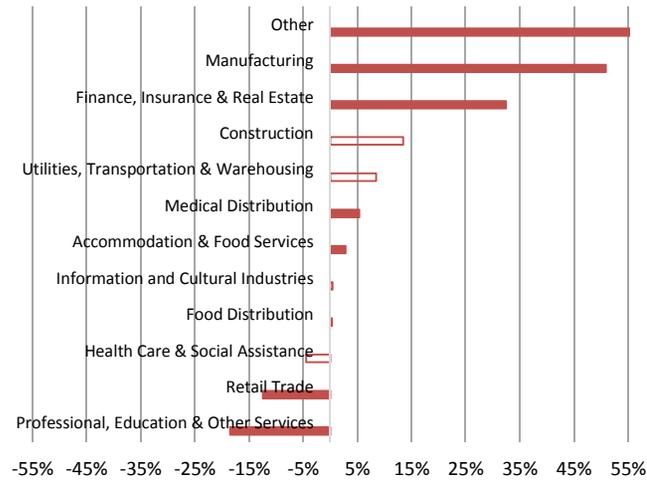


Chart 5: GRT Distribution by Industry FY15 YTD

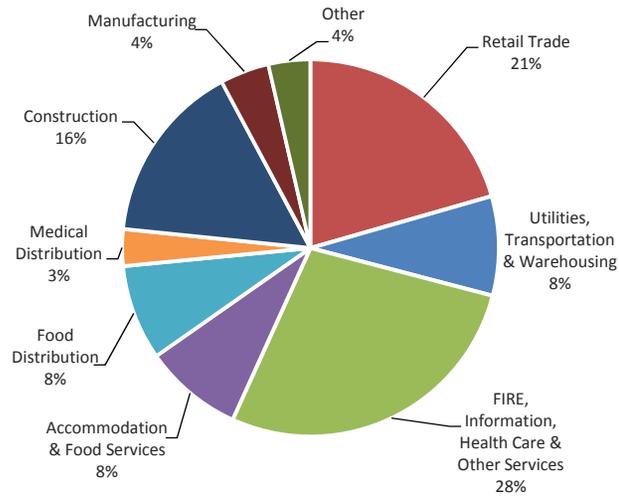


Chart 6: Changing Composition of GRT

